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C O N F I D E N T I A L ZAGREB 001278

SIPDIS

STATE FOR EUR (BOGUE) AND PM (LINO)
DEFENSE FOR OSD/DASD-EURASIA (RICARDEL), OSD-P (RIGGENBERG)
AND DSCA-ERASA
USEUCOM FOR J4

E.O. 12958: DECL: 06/05/2013
TAGS: [MARR](#) [PREL](#) [KTIA](#) [ABUD](#) [MASS](#) [HR](#) [KICC](#) [NATO](#)
SUBJECT: COMMITTING CROATIA'S FY-2003 FMF BUDGET

REF: A. STATE 139892
[1](#)B. ZAGREB 1238

CLASSIFIED BY: POLOFF A.F.GODFREY FOR REASONS 1.5 (B,D)

SUMMARY

[1](#)1. (C) IF CROATIA ACTS QUICKLY, IT CAN COMMIT THE FY2003 FUNDS AT RISK OF SUSPENSION UNDER THE AMERICAN SERVICEMEMBER'S PROTECTION ACT BEFORE CUTOFF DATE. AS INSTRUCTED (REFTEL A), ON JUNE 4 WE INFORMED THE GOC HOW IT CAN COMMIT THE USD 5.5 MILLION ALLOCATED FOR FY2003 TO AN EXISTING FMF CASE IN TIME FOR THESE FUNDS TO BE OBLIGATED BY JULY 1. END SUMMARY.

[1](#)2. (C) CROATIA IS UNLIKELY TO SIGN AN ARTICLE 98 AGREEMENT BEFORE UNOBLIGATED FMF AND IMET FUNDS ARE SUSPENDED ON JULY [1](#)1. AS INSTRUCTED IN REF A, DEFENSE ATTACHE, ODC CHIEF AND POLOFF MET ON JUNE 4 WITH DEPUTY DEFENSE MINISTER ZLATKO GARELJIC TO INFORM HIM THAT THE USD 5.5 MILLION ALLOCATED TO CROATIA IN FMF FUNDING COULD BE OBLIGATED BEFORE SUSPENSION ON JULY 1. WE UNDERScoreD TO GARELJIC THAT THE FAILURE OF CROATIA TO CONCLUDE AN ARTICLE 98 AGREEMENT WOULD STILL HAVE A STRONG NEGATIVE IMPACT ON THE BILATERAL RELATIONSHIP; NEARLY USD 6 MILLION IN FMF AND IMET SUPPORT ANTICIPATED IN FY 2004 WOULD CERTAINLY BE SUSPENDED. MORE IMPORTANTLY, WE ADDED, CROATIA'S UNWILLINGNESS TO CONCLUDE AN AGREEMENT WOULD BE A BLOW TO THE BROADER BILATERAL RELATIONSHIP.

[1](#)3. (C) AS DESCRIBED IN REF B, WE EXPLAINED TO DEPUTY DEFMIN GARELJIC THAT, DUE TO THE SHORT TIME REMAINING BEFORE THE JULY 1 CUTOFF, THE ONLY WAY CROATIA CAN COMMIT THE FY2003 FMF FUNDS IS TO COMMIT THEM TO AN EXISTING CASE. THE ONLY "OPEN" CASE WHICH COULD BE MODIFIED IN TIME IS FOR COMMUNICATIONS EQUIPMENT. AS ADDITIONAL VHF RADIO EQUIPMENT HAS BEEN IDENTIFIED AS A PRIORITY, CROATIA SHOULD ACT QUICKLY TO MODIFY THIS CASE. WE TOLD GARELJIC CROATIA MUST SEND A LETTER OF REQUEST TO MODIFY THE EXISTING FMF CASE BY FRIDAY, JUNE 6, IN ORDER FOR EXPERTS IN WASHINGTON TO OBLIGATE THE FUNDS IN TIME TO PREVENT THEM FROM BEING SUSPENDED. ODC PROVIDED GARELJIC WITH A DRAFT LETTER, PROPOSING A MIX OF AVAILABLE VHF RADIO EQUIPMENT WHICH WOULD MEET NEEDS IDENTIFIED BY MOD PLANNERS. THE MOD HAS FLEXIBILITY WITHIN THIS FMF CASE TO CHANGE THE MIX OF EQUIPMENT, BUT MAY NOT APPLY FY 2003 FUNDS TO ANY OTHER CASE.

[1](#)4. (C) IN A SEPARATE MEETINGS ON JUNE 4 WITH ASSISTANT DEFENSE MINISTER (POLICY) JELENA GRCIC POLIC AND WITH MFA NORTH AMERICA DEPARTMENT HEAD MIROSLAV KOVACIC, WE UNDERScoreD THAT THE DECISION ON HOW TO IMPLEMENT PROVISION OF THE ASPA WAS MADE IN WASHINGTON AND APPLIES EQUALLY TO ALL COUNTRIES WHICH ARE RECIPIENTS OF FMF AND IMET FUNDING AND ARE SUBJECT TO THE JULY 1 CUTOFF. NEVERTHELESS, BOTH KOVACIC AND GRCIC POLIC WERE GRATEFUL, AND SAID THAT THE FMF ASSISTANCE IS VITAL TO CROATIA'S PROGRESS TOWARD NATO MEMBERSHIP.

[1](#)5. (C) UPON HEARING THAT CROATIA MIGHT YET BE ABLE TO TAKE ADVANTAGE OF FY 2003 FUNDS, GARELJIC, GRCIC POLIC AND KOVACIC ALL EXPRESSED GRATITUDE, STATING THEIR ASSUMPTION THAT THE USG'S DECISION WAS BASED ON RECOGNITION OF CROATIA'S CURRENT REQUEST FOR EXEMPTION FROM ASPA PROVISIONS DUE TO ITS PURPORTED "UNIQUE CIRCUMSTANCES." IN ORDER TO MINIMIZE OUR FMF REPROGRAMMING EFFORT, THUS UNDERCUTTING OUR DIPLOMACY FOR AN ARTICLE 98 AGREEMENT, WE MADE CLEAR TO ALL THREE THAT THIS SAME INTERPRETATION OF U.S. LAW IS BEING APPLIED TO ALL COUNTRIES SUBJECT TO SUSPENSION OF MILITARY ASSISTANCE UNDER ASPA AND REPEATED OUR REQUEST THAT THE GOC ENGAGE SERIOUSLY IN UPCOMING DISCUSSIONS ABOUT A POSSIBLE ARTICLE 98 AGREEMENT WHEN PM/B'S AMBASSADOR LINO VISITS ZAGREB NEXT WEEK. THEY WERE A BIT DEFLATED BY OUR RESPONSE.
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